

From Short- to Long-Term: Who Cares?

Institutional Investors, Beneficiaries
and Investees in Dialogue

7th International Sustainability Leadership Symposium
31 August / 1 September 2006

Swiss Re Centre for Global Dialogue,
Rüschlikon/Zürich, Switzerland

“ The potential payoff from reducing short-term performance obsession in the investment and corporate communities is substantial. ”

Alfred Rappaport, Leonard Spacek Professor Emeritus,
Kellogg Graduate School of Management, Illinois, USA

Theme

Many, if not most, players in stock market investment who pursue long-term strategies are driven by financial goals. The common objective of these players – institutional investors, asset managers as well as the ultimate beneficiaries – is to achieve maximum risk-adjusted returns over an extended period of time. Consequently, one would expect them to favour stable investments and to put a strong emphasis on companies’ long-term performance.

Yet, it is a fact that short-term earnings figures continue to play a dominant role in the way companies report their performance and investors make their decisions. This raises a number of important issues. First, from a financial perspective long-term thinking is futile if there are no reliable criteria to show that it can be translated into successful strategies that have a sustained positive effect on profitability. Second, short-term behaviour might be reinforced by the incentive structures in place for those who take the actual investment decisions. This

suggests a potential conflict of interests with the ultimate beneficiaries. Third, how companies and investors communicate and interact with each other is strongly influenced by frameworks and regulations, in particular on corporate governance.

At this year’s Sustainability Leadership Symposium the respective approaches of long-term oriented institutional investors (insurers, pension funds and their trustees), asset managers, investment advisors and listed companies to achieve sustainable returns shall be discussed. Our main interest is to find out whether these approaches differ from each other, and if so, how they can be aligned. Taking the standpoint of each of the players involved, including the ultimate beneficiaries, we want to identify options for a long-term oriented selection of investment opportunities. Finally, it will be assessed whether this process may lead potential investees, i.e. listed companies, to reconsider their short-termism in favour of long-term business practices.

Key Questions

- What issues are or should be taken into consideration by long-term oriented investors when investing in equity as well as corporate and government bonds in order to achieve maximum risk-adjusted returns over time? Are the commonly used valuation and rating models appropriate to

estimate the future cash flows of investees? And what does the empirical evidence tell us about the success of long-term investment strategies?

- How can the ultimate beneficiaries of entrusted money, that is to say the principals, make sure that their agents pursue their interests? What are the

options and restrictions for institutional investors and shareholders who want to influence the practices of companies they are investing in?

- How can regulations and frameworks create incentives that do not impede but encourage a focus on long-term profits? Can these mechanisms help to avoid potential free-rider problems?

Methodology

We use a solution-driven methodology that provides ample time for discussion. Leading institutional investors, asset managers, investment advisors and decision-makers from business, academia and civil society

will present keynotes and cases, followed by panel discussions. Several parallel workshops will allow an open exchange of ideas and experiences.

Benefits

- Advanced knowledge on long-term oriented institutional investment: Through an open dialogue based on the latest research, real cases and operational experiences, participants will share, challenge and expand current knowledge on long-term oriented investment. Attendees can expect to gain a deeper understanding of different allocation strategies long-term oriented investors use to achieve high risk-adjusted returns,

as well as the means and approaches to influence investees’ business practices.

- Outstanding networking platform: The event provides a first-class networking platform for sharing experiences with other speakers and participants.
- Private side events: On request, The Sustainability Forum Zürich organises side events featuring individual keynote speakers.

Input Paper & Report on Findings

The input paper to the conference will be available on: www.sustainability-zurich.org. The symposium’s materials and findings will be published in a report.

Participants & Media Coverage

Approximately 200 personalities from business – predominantly from the financial community – civil society, media, government and science with international

experience and decision-making powers are expected to attend the symposium. The media will be informed about the event in a separate panel.

Thursday, 31 August 2006

8.45 Registration & Coffee

9.20 Welcome Address

Peter Forstmoser, President,
The Sustainability Forum Zürich
& Chairman of the
Board of Directors, Swiss Re

9.30 Keynote: The Growing Importance of Institutional Investments

Market overview of different investment categories such as equities, bonds, hedge funds etc.

K: Abby Joseph Cohen, Managing Director & Chief US Investment Strategist, Goldman Sachs (exclusive video address)

K: J. Frank Brown, Dean, INSEAD

10.00 Conference Theses

Hans-Peter Burkhard, Director,
Center for Corporate Responsibility and Sustainability (CCRS)

10.10 Session 1: Long-Term Investment: The Beauty and the Beast

Issues and criteria specifically affecting risk adjusted returns in the long run and how to integrate them in existing valuation models.

Keynote speech followed by comments, panel and plenary discussion

K: Joachim Faber, CEO,
Allianz Global Investors

C: Thomas Müller, CFO, Swiss Life

C: Heinrich Wiemer,
Strategy Consultant,
Capital Market Strategies

P: Reto Ringger, CEO, SAM
Sustainable Asset Management

M: Ernst A. Brugger, CEO,
The Sustainability Forum Zürich

11.10 Coffee

11.40 Session 2: Do Beneficiaries Know What They Want?

The different expectations of beneficiaries, institutional investors and investees and how the ultimate capital providers can make sure that fiduciaries pursue their interests. The significance of trust – does it vary for short- and long-term investments?

Keynote speech followed by comments, panel and plenary discussion.

K: Jean-Louis Nakamura, CIO,
Fonds de Réserve
pour les Retraites

C: Dominique Biedermann,
Executive Director, Ethos,
Swiss Foundation for
Sustainable Development

P: Travis Engen, former
President and CEO, Alcan

P: Stefan T. Bichsel, Partner,
Lombard Odier Darier Hentsch

M: Gerhard Schwarz, Chief
Economics Editor,
Neue Zürcher Zeitung

13.00 Lunch

14.30 Workshop Series 1: Drivers for (Un)Sustainable Returns

Five parallel learning workshops with short introductions by workshop keynote speakers in the plenary

16.30 Coffee

17.00 Findings from Workshops

referring to the theses of the input paper.

Moderators Workshops A–E

17.20 Keynote: New Perspectives for Long-Term Investing

K: Wim Vermeir,
Member Executive Committee,
Dexia Asset Management

17.40 Keynote: How Much Trust Can You Have

K: Iris Bohnet, Associate Professor of Public Policy, Kennedy School of Government, Harvard University

18.00 SAM/SPG Sustainability Leadership Award

M: Claude Martin, former Director General, WWF International

18.45 Cocktails

19.15 Dinner and Networking

Friday, 1 September 2006

8.00 Coffee

8.30 Welcome & Findings from Day One

Member of TSF Steering Committee

8.40 Keynote: Incentives Promoting Patience in Investment

K: Winston H. Hickox,
Portfolio Manager Environmental Initiatives, CalPERS

9.10 Workshop Series 2: Striving for a Longitudinal Perspective

Five parallel learning workshops with short introductions by workshop keynote speakers in the plenary

11.10 Findings from Workshops

referring to the theses of the input paper.

Moderators Workshops F–J

11.30 Session 3: Theses –

New Aspects – Conclusions
Panel Discussion

P: Peter Forstmoser, President,
The Sustainability Forum Zürich
& Chairman of the Board
of Directors, Swiss Re

P: Peter Ohnemus,
CEO and President, Asset4

P: Peter Voser, CFO, Shell

M: Ernst A. Brugger, CEO,
The Sustainability Forum Zürich

12.30 Final Remarks

Member of TSF Steering Committee

12.40–14.30 Lunch

Explanations

K: Keynote Speaker, **C:** Commentator

P: Panellist, **M:** Moderator

* invited, to be confirmed

Workshops Series 1: Drivers for (Un)Sustainable Returns

A Managing the Long-Term in a Short-Term Oriented Environment: The Challenge of Pension Funds

How can pension funds meet the heavy demands placed on their investment policies by longer life expectancy and relatively low return expectations?

- K:** Michael Bernegger, Head Asset Management, Swiss Life
C: Joachim Faber, CEO, Allianz Global Investors*
M: Ivo Menzinger, Head of Sustainability & Emerging Risk Management, Swiss Re

B Significant Factors Impacting Capital Markets

Integrating environmental, social and corporate governance factors into investment decisions.

- K:** Craig Metrick, US Head of Responsible Investment, Mercer Investment Consulting
C: J. Frank Brown, Dean, INSEAD
M: Alexander Barkawi, Managing Director, SAM Indexes

C Risk Appetite of Institutional Investors

What are the major drivers and framework conditions that influence the willingness of institutional investors to provide capital?

- K:** Heinrich Wiemer, Strategy Consultant, Capital Market Strategies
C: Giuseppe Benelli, CIO, Vontobel Group*
M: Sandra Hedinger, Vice President Public Affairs, Swiss Life

D Making Best Use of the Right Information

What information is required to assess a company's potential for long-term value creation? How good are current assessment and valuation models?

- K:** Peter Ohnemus, CEO & President and Dominique Habegger, Head Research, Asset4
C: Hans C. Steckling, Chairman & CEO, HCS-Consulting
M: Angela de Wolff, Head of SRI, Lombard Odier Darier Hentsch

E The Multiple Principal-Agent Relation in Institutional Investment

How can the dilution of the ultimate savers' intention occurring due to the self interests of intermediaries be prevented?

- K:** Brunno Maradei, Assistant Director, EIRIS
C: Stefan T. Bichsel, Lombard Odier Darier Hentsch*
M: Erna Karrer, Head of Marketing & Communications, Care Group

Workshops Series 2: Striving for a Longitudinal Perspective

F How Much Corporate Governance Is Needed?

Improving control structures and governance: detailed regulations versus flexible systems allowing continued experimentation.

- K:** Peter Voser, CFO, Shell
C: Thomas Scheiwiller, Partner, PricewaterhouseCoopers
M: Christina Ulardic, Sustainability Risk Advisor, Sustainability & Emerging Risk Management, Swiss Re

G Enabling and Obstructive Frameworks

Encouraging the efficient allocation of capital by giving confidence to investors – who and how?

- K:** Winston Hickox, Portfolio Manager Environmental Initiatives, CalPERS
C: Markus Nöthiger, Director, PricewaterhouseCoopers
M: Kai-Uwe Schanz, Chief Communication & Corporate Development Officer, Converium

H Changing Investees' Business Behaviour

What are the approaches and means of capital providers to influence the strategies and practices of companies they are investing in?

- K:** Colin Melvin, Corporate Governance Director, Hermes Pensions Management
C: Brian Harrison Spence, Founder, economie*
M: Thomas Streiff, COO, The Sustainability Forum Zürich

I Fiduciary Duty – What Does It Comprise?

Are loyalty, good faith and full disclosure the decisive factors to prevent conflict of interests?

- K:** David R. Scott, Attorney, Scott+Scott, LLC
C: Brunno Maradei, Assistant Director, EIRIS
M: Alexander Barkawi, Managing Director, SAM Indexes

J Fostering Long-Termism at Business Schools

The role of business schools in sharpening judgement and assessment skills of future analysts.

- K:** Heiko Spitzreck, Director oikos International
C: Ivo Knöpfel, Managing Director, onValues
C: Antoinette Hunziker-Ebnetter*
M: Jacqueline Coté, Senior Advisor Advocacy & Partnerships, WBCSD

SAM/SPG Sustainability Leadership Award

At the end of the first conference day, the winners of this year's SAM/SPG Sustainability Leadership Award will be officially presented. The award worth 50,000 Swiss Francs will be equally shared between a leader and a pioneer.

Dinner

All participants are cordially invited to attend the networking dinner taking place at the Swiss Re Centre for Global Dialogue.

Conference Fee (Including Dinner)

Companies

Two days: 1500 CHF OR 1000 EUR

Thursday only: 1000 CHF OR 660 EUR

Academics and NGOs

Two days: 750 CHF OR 480 EUR

Thursday only: 500 CHF OR 330 EUR

Schedule

Opening: 31 August 2006, 9.20 am

Closing: 1 September 2006, 1 pm

The Organisers

The Sustainability Forum Zürich is an independent, non-profit, non-partisan organisation, founded by leading representatives from business, science and public authorities. It is a platform for leaders and pioneers to exchange their experiences and ideas on sustainable business practices and to enter into an on-going dialogue with high-level representatives from the public and civil sectors of society.

Terms of Participation

- Registrations may be cancelled at no cost until 11 August 2006.
- After this date, the full conference fee is due. However, a substitute participant is welcome at no extra cost.
- Places can only be guaranteed after full payment, which must be received prior to the conference.

Contact and Registration

The Sustainability Forum Zürich
Lagerstrasse 33, P.O. Box, 8021 Zürich

Phone: +41 44 299 95 99

Fax: +41 44 299 95 98

info@sustainability-zurich.org

www.sustainability-zurich.org

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Event Sponsors



Registration

for the 7th International Sustainability Leadership Symposium
"From Short- to Long-Term: Who Cares?", 31 August / 1 September 2006.

You may also register online at: www.sustainability-zurich.org

Personal Information

Mr Ms

First name, last name _____

Organisation, job title _____

Address _____

City / postcode , country _____

Phone, fax _____

E-mail _____

Attendance

- Thursday / Friday,
31 August / 1 September 2006
- Thursday, 31 August 2006 only

Dinner

- I wish to attend the buffet dinner
(Thursday, 31 August)

Accommodation

Participants are responsible for making their own travel and accommodation arrangements. Rooms are available at the Swiss Re Centre for Global Dialogue in Rueschlikon or at a nearby hotel. Rooms will be assigned on a first come, first serve basis. For reservations please contact frontoffice_rueschlikon@swissre.com or phone +41 43 285 81 00.

Workshops

Parallel learning workshops will be taking place on both days. Please indicate your preferences by filling in the appropriate working group letter below.

Thursday, 31 August (workshops A-E)

Priority 1 2

Friday, 1 September (workshops F-J)

Priority 1 2

Payment

I would like to pay the amount due by:

- Bank transfer to: Zürcher Kantonalbank, BC 700, SWIFT: ZKBKCHZZ80A, IBAN: CH59 0070 0110 0005 9658 4,
Account no: 1100-0596.584
Address of recipient: Verein Symposium Sustainability Zürich, P.O. Box 1219 , 8021 Zürich, Switzerland
Please insert name of participant and "TSF-Symposium 06" in the transmission details.

- Invoice sent to me by e-mail.

- Credit card: MasterCard Visa Expiry date ____ / ____

Number: _____

Card holder: _____

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3 digit
verification
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back of card

Amount EUR CHF _____

You will receive a receipt in any case.

Signature

I herewith accept the terms of participation (see back cover page).

Date and signature _____

Please send this form to

The Sustainability Forum Zürich
Lagerstrasse 33, P.O. Box
8021 Zürich, Switzerland

or fax it to +41 44 299 95 98.

Your registration will be confirmed.

If you have any questions do not
hesitate to call: +41 44 299 95 99